

AMENDED IN SENATE AUGUST 24, 2006

AMENDED IN SENATE AUGUST 21, 2006

AMENDED IN ASSEMBLY APRIL 20, 2006

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

ASSEMBLY BILL

No. 2282

Introduced by Assembly Member Oropeza

February 22, 2006

An act to amend Section 650 of the Business and Professions Code, and to amend Section 14107.2 of the Welfare and Institutions Code, relating to health facilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 2282, as amended, Oropeza. Federally-qualified health centers.

Existing law, with certain exceptions, prohibits the offer, delivery, receipt, or acceptance by any healing arts licensee regulated by the Business and Professions Code or under the Chiropractic Initiative Act of any rebate, refund, commission, preference, patronage dividend, discount, or other consideration, as compensation or an inducement for referring patients, clients, or customers to any person. A violation of this provision is a crime.

This bill would provide that the offer, delivery, receipt, or acceptance of any consideration between a federally-qualified health center, as defined, and any individual or entity providing goods, items, services, donations, loans, or a combination thereof to the health center is permitted only if the transaction is consistent with a specified federal law.

Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Services and under which qualified low-income persons receive health care benefits.

Existing law provides that any person who solicits or receives any remuneration in return for the referral, or promised referral, of any individual to a person for the furnishing or arranging for the furnishing of any service or merchandise for which payment may be made under the Medi-Cal program, or in return for the purchasing, leasing, ordering, or arranging for, or recommending the purchasing, leasing, or ordering of any goods, facility, service, or merchandise for which payment may be made under that program, is guilty of a crime, except as specified. Existing law further provides that any person who offers or pays any remuneration to refer any individual to a person for the furnishing or arranging for furnishing of any service or merchandise for which payment may be made under the Medi-Cal program, or to purchase, lease, order, or arrange for or recommend the purchasing, leasing, or ordering of any goods, facility, service, or merchandise for which payment may be made under that program, is guilty of crime, except as specified.

This bill would exempt from the above criminal provisions practices or transactions between a federally-qualified health center, as defined, and any individual or entity only to the extent sanctioned or permitted by federal law.

This bill would incorporate additional changes to Section 650 of the Business and Professions Code, proposed by AB 225, to be operative only if AB 225 and this bill are both chaptered and become effective on or before January 1, 2007, and this bill is chaptered last.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 650 of the Business and Professions
- 2 Code is amended to read:
- 3 650. Except as provided in Chapter 2.3 (commencing with
- 4 Section 1400) of Division 2 of the Health and Safety Code, the
- 5 offer, delivery, receipt, or acceptance by any person licensed
- 6 under this division or the Chiropractic Initiative Act of any
- 7 rebate, refund, commission, preference, patronage dividend,
- 8 discount, or other consideration, whether in the form of money or

1 otherwise, as compensation or inducement for referring patients,
2 clients, or customers to any person, irrespective of any
3 membership, proprietary interest or coownership in or with any
4 person to whom these patients, clients, or customers are referred
5 is unlawful.

6 The payment or receipt of consideration for services other than
7 the referral of patients which is based on a percentage of gross
8 revenue or similar type of contractual arrangement shall not be
9 unlawful if the consideration is commensurate with the value of
10 the services furnished or with the fair rental value of any
11 premises or equipment leased or provided by the recipient to the
12 payer.

13 The offer, delivery, receipt, or acceptance of any consideration
14 between a federally-qualified health center, as defined in Section
15 1396d(l)(2)(B) of Title 42 of the United States Code, and any
16 individual or entity providing goods, items, services, donations,
17 loans, or a combination thereof, to the health center entity
18 pursuant to a contract, lease, grant, loan, or other agreement, if
19 that agreement contributes to the ability of the health center
20 entity to maintain or increase the availability, or enhance the
21 quality, of services provided to a medically underserved
22 population served by the health center, shall be permitted only to
23 the extent sanctioned or permitted by federal law.

24 Except as provided in Chapter 2.3 (commencing with Section
25 1400) of Division 2 of the Health and Safety Code and in
26 Sections 654.1 and 654.2, it shall not be unlawful for any person
27 licensed under this division to refer a person to any laboratory,
28 pharmacy, clinic (including entities exempt from licensure
29 pursuant to Section 1206 of the Health and Safety Code), or
30 health care facility solely because the licensee has a proprietary
31 interest or coownership in the laboratory, pharmacy, clinic, or
32 health care facility; provided, however, that the licensee's return
33 on investment for that proprietary interest or coownership shall
34 be based upon the amount of the capital investment or
35 proportional ownership of the licensee which ownership interest
36 is not based on the number or value of any patients referred. Any
37 referral excepted under this section shall be unlawful if the
38 prosecutor proves that there was no valid medical need for the
39 referral.

1 “Health care facility” means a general acute care hospital,
2 acute psychiatric hospital, skilled nursing facility, intermediate
3 care facility, and any other health facility licensed by the State
4 Department of Health Services under Chapter 2 (commencing
5 with Section 1250) of Division 2 of the Health and Safety Code.

6 A violation of this section is a public offense and is punishable
7 upon a first conviction by imprisonment in the county jail for not
8 more than one year, or by imprisonment in the state prison, or by
9 a fine not exceeding fifty thousand dollars (\$50,000), or by both
10 that imprisonment and fine. A second or subsequent conviction is
11 punishable by imprisonment in the state prison or by
12 imprisonment in the state prison and a fine of fifty thousand
13 dollars (\$50,000).

14 *SEC. 1.5. Section 650 of the Business and Professions Code*
15 *is amended to read:*

16 650. (a) Except as provided in Chapter 2.3 (commencing
17 with Section 1400) of Division 2 of the Health and Safety Code,
18 the offer, delivery, receipt, or acceptance by any person licensed
19 under this division or the Chiropractic Initiative Act of any
20 rebate, refund, commission, preference, patronage dividend,
21 discount, or other consideration, whether in the form of money or
22 otherwise, as compensation or inducement for referring patients,
23 clients, or customers to any person, irrespective of any
24 membership, proprietary interest or coownership in or with any
25 person to whom these patients, clients, or customers are referred
26 is unlawful.

27 (b) The payment or receipt of consideration for services other
28 than the referral of patients which is based on a percentage of
29 gross revenue or similar type of contractual arrangement shall not
30 be unlawful if the consideration is commensurate with the value
31 of the services furnished or with the fair rental value of any
32 premises or equipment leased or provided by the recipient to the
33 payer.

34 (c) *The offer, delivery, receipt, or acceptance of any*
35 *consideration between a federally-qualified health center, as*
36 *defined in Section 1396d(1)(2)(B) of Title 42 of the United States*
37 *Code, and any individual or entity providing goods, items,*
38 *services, donations, loans, or a combination thereof, to the health*
39 *center entity pursuant to a contract, lease, grant, loan, or other*
40 *agreement, if that agreement contributes to the ability of the*

1 *health center entity to maintain or increase the availability, or*
2 *enhance the quality, of services provided to a medically*
3 *underserved population served by the health center, shall be*
4 *permitted only to the extent sanctioned or permitted by federal*
5 *law.*

6 (d) Except as provided in Chapter 2.3 (commencing with
7 Section 1400) of Division 2 of the Health and Safety Code and in
8 Sections 654.1 and 654.2, it shall not be unlawful for any person
9 licensed under this division to refer a person to any laboratory,
10 pharmacy, clinic (including entities exempt from licensure
11 pursuant to Section 1206 of the Health and Safety Code), or
12 health care facility solely because the licensee has a proprietary
13 interest or coownership in the laboratory, pharmacy, clinic, or
14 health care facility; provided, however, that the licensee's return
15 on investment for that proprietary interest or coownership shall
16 be based upon the amount of the capital investment or
17 proportional ownership of the licensee which ownership interest
18 is not based on the number or value of any patients referred. Any
19 referral excepted under this section shall be unlawful if the
20 prosecutor proves that there was no valid medical need for the
21 referral.

22 (e) (1) Except as provided in Chapter 2.3 (commencing with
23 Section 1400) of Division 2 of the Health and Safety Code and in
24 Sections 654.1 and 654.2, it shall not be unlawful to provide
25 nonmonetary remuneration, in the form of hardware, software,
26 or information technology and training services, necessary and
27 used solely to receive and transmit electronic prescription
28 information in accordance with the standards set forth in Section
29 1860D-4(e) of the Medicare Prescription Drug, Improvement
30 and Modernization Act of 2003 (42 U.S.C. Sec. 1395w-104) in
31 the following situations:

32 (A) In the case of a hospital, by the hospital to members of its
33 medical staff.

34 (B) In the case of a group medical practice, by the practice to
35 prescribing health care professionals that are members of the
36 practice.

37 (C) In the case of Medicare prescription drug plan sponsors
38 or Medicare Advantage organizations, by the sponsor or
39 organization to pharmacists and pharmacies participating in the

1 *network of the sponsor or organization and to prescribing health*
2 *care professionals.*

3 *(2) The exceptions set forth in this subdivision are adopted to*
4 *conform state law with the provisions of Section 1860D-4(e)(6)*
5 *of the Medicare Prescription Drug, Improvement and*
6 *Modernization Act of 2003 (42 U.S.C. Sec. 1395w-104) and are*
7 *limited to drugs covered under Part D of the federal Medicare*
8 *Program that are prescribed to Part D eligible individuals (42*
9 *U.S.C. Sec. 1395w-101).*

10 *(3) The exceptions set forth in this subdivision shall not be*
11 *operative until the regulations required to be adopted by the*
12 *Secretary of the United States Department of Health and Human*
13 *Services, pursuant to Section 1860D-4(e) of the Medicare*
14 *Prescription Drug, Improvement and Modernization Act of 2003*
15 *(42 U.S.C. Sec. 1395W-104) are effective. If the California*
16 *Health and Human Services Agency determines that regulations*
17 *are necessary to ensure that implementation of the provisions of*
18 *paragraph (1) is consistent with the regulations adopted by the*
19 *Secretary of the United States Department of Health and Human*
20 *Services, it shall adopt emergency regulations to that effect.*

21 *(f) “Health care facility” means a general acute care hospital,*
22 *acute psychiatric hospital, skilled nursing facility, intermediate*
23 *care facility, and any other health facility licensed by the State*
24 *Department of Health Services under Chapter 2 (commencing*
25 *with Section 1250) of Division 2 of the Health and Safety Code.*

26 *(g) A violation of this section is a public offense and is*
27 *punishable upon a first conviction by imprisonment in the county*
28 *jail for not more than one year, or by imprisonment in the state*
29 *prison, or by a fine not exceeding fifty thousand dollars*
30 *(\$50,000), or by both that imprisonment and fine. A second or*
31 *subsequent conviction is punishable by imprisonment in the state*
32 *prison or by imprisonment in the state prison and a fine of fifty*
33 *thousand dollars (\$50,000).*

34 *SEC. 2. Section 14107.2 of the Welfare and Institutions Code*
35 *is amended to read:*

36 *14107.2. (a) Any person who solicits or receives any*
37 *remuneration, including, but not restricted to, any kickback,*
38 *bribe, or rebate, directly or indirectly, overtly or covertly, in cash*
39 *or in valuable consideration of any kind either:*

1 (1) In return for the referral, or promised referral, of any
2 individual to a person for the furnishing or arranging for the
3 furnishing of any service or merchandise for which payment
4 may be made in whole or in part under this chapter or Chapter
5 8 (commencing with Section 14200); or

6 (2) In return for the purchasing, leasing, ordering, or
7 arranging for or recommending the purchasing, leasing, or
8 ordering of any goods, facility, service or merchandise for
9 which payment may be made, in whole or in part, under this
10 chapter or Chapter 8 (commencing with Section 14200) of this
11 part,

12 is punishable upon a first conviction by imprisonment in the
13 county jail for not longer than one year or state prison, or by a
14 fine not exceeding ten thousand dollars (\$10,000), or by both
15 the imprisonment and fine. A second or subsequent conviction
16 shall be punishable by imprisonment in the state prison.

17 (b) Any person who offers or pays any remuneration,
18 including, but not restricted to, any kickback, bribe, or rebate,
19 directly or indirectly, overtly or covertly, in cash or in valuable
20 consideration of any kind either:

21 (1) To refer any individual to a person for the furnishing or
22 arranging for furnishing of any service or merchandise for
23 which payment may be made, in whole or in part, under this
24 chapter or Chapter 8 (commencing with Section 14200); or

25 (2) To purchase, lease, order, or arrange for or recommend
26 the purchasing, leasing, or ordering of any goods, facility,
27 service, or merchandise for which payment may be made in
28 whole or in part under this chapter or Chapter 8 (commencing
29 with Section 14200),

30 is punishable upon a first conviction by imprisonment in the
31 county jail for not longer than one year or state prison, or by a
32 fine not exceeding ten thousand dollars (\$10,000), or by both
33 the imprisonment and fine. A second or subsequent conviction
34 shall be punishable by imprisonment in the state prison.

35 (c) Subdivisions (a) and (b) shall not apply to the following:

36 (1) Any amount paid by an employer to an employee, who has
37 a bona fide employment relationship with that employer, for
38 employment with provision of covered items or services.

39 (2) A discount or other reduction in price obtained by a
40 provider of services or other entity under this chapter or Chapter

8 (commencing with Section 14200), if the reduction in price is properly disclosed and reflected in the costs claimed or charges made by the provider or entity under this chapter or Chapter 8 (commencing with Section 14200). This paragraph shall not apply to consultant pharmaceutical services rendered to nursing facilities nor to all categories of intermediate care facilities for the developmentally disabled.

(3) The practices or transactions between a federally-qualified health center, as defined in Section 1396d(l)(2)(B) of Title 42 of the United States Code, and any individual or entity shall be permitted only to the extent sanctioned or permitted by federal law.

(d) For purposes of this section “kickback” means a rebate or anything of value or advantage, present or prospective, or any promise or undertaking to give any such rebate or thing of value or advantage, with a corrupt intent to unlawfully influence the person to whom it is given in actions undertaken by that person in his or her public, professional, or official capacity.

(e) The enforcement remedies provided under this section are not exclusive and shall not preclude the use of any other criminal or civil remedy.

SEC. 3. Section 1.5 of this bill incorporates amendments to Section 650 of the Business and Professions Code proposed by both this bill and AB 225. It shall only become operative if (1) both bills are enacted and become effective on or before January 1, 2007, (2) each bill amends Section 650 of the Business and Professions Code, and (3) this bill is enacted after AB 225, in which case Section 1 of this bill shall not become operative.